

By the Banking Regulation and Supervision Agency:

**REGULATION ON MEASUREMENT AND EVALUATION OF
LIQUIDITY ADEQUACY OF BANKS¹**

(Published in the Official Gazette dated November 01, 2006 Nr. 2633)

SECTION ONE

Objective and Scope, Basis and Definitions

Objective and Scope

ARTICLE 1 – (1) The objective of this Regulation is to regulate the procedures and principles for achievement and maintenance by banks of adequate levels of liquidity in order to meet their liabilities with their assets.

Basis

ARTICLE 2 – (1) This Regulation has been prepared on the basis of Article 43(1) and Articles 46 and 93 of Banking Law Nr 5411 dated 19/10/2005.

Definitions

ARTICLE 3 – (1) The following terms used in this Regulation shall have the meanings expressly designated to them below:

- a) Bank(s): Bank(s) which are defined by Article 3 of the Law
- b) Law: Banking Law Nr 5411
- c) Board: Banking Regulation and Supervision Board
- d) Agency: Banking Regulation and Supervision Agency
- e) Central Bank: Central Bank of the Republic of Turkey
- f) Total liquidity adequacy ratio: Ratio of assets in terms of Turkish Lira and foreign currencies to liabilities in terms of Turkish Lira and foreign currencies in respect of the slices of terms
- g) Foreign currency liquidity adequacy ratio: Ratio of assets in terms of the foreign currencies to liabilities in terms of the foreign currencies in respect of the slices of terms

¹ As amended pursuant to the Regulation dated July 16, 2010 and Nr. 27643.

SECTION TWO

Procedures concerning the slice of terms and calculation

Slices of terms

ARTICLE 4 – (1) The table below sets forth the slices of terms to be taken as a basis in calculation of the total liquidity adequacy ratios and total foreign currency liquidity adequacy ratios.

Slice of term	Period before term
First slice of term	0 to 7 days
Second slice of term	0 to 31 days

Assets and liabilities to be taken into consideration in calculation of total liquidity adequacy ratio and total foreign currency liquidity adequacy ratio

ARTICLE 5 – (1) in calculation of total liquidity adequacy ratio and total foreign currency liquidity adequacy ratio,

a) **(Amended paragraph: OG-9/6/2007-26547)** The following are taken into consideration on the basis of their stock values irrespective of their respective terms in respect of the ratios indicated by the notification schedule covered by Annex 1 and Annex 2: cash positions, effective depots, sight / call unattached accounts opened with the Central Bank, due securities, depots of precious metals, checks purchased, sight / call unattached accounts opened with banks, overseas head offices and branches, overnight receivables from the interbank money market, compulsory reserves, sums of principal of debtor current accounts as well as liquidity bills issued by the Central Bank and followed under securities available for sale, government securities issued by the Undersecretariat of the Treasury, central management of the countries as well as central banks or by the guarantee thereof, bills and bonds issued by the credit institutions having first grade rating notes in foreign countries having first grade rating notes or by the banks established in Turkey or by the guarantee thereof, shares quoted with the Stock Exchange, revenue sharing certificates, investment funds participation certificates and public borrowing instruments issued by the Undersecretariat of the Treasury which are monitored as part of securities to be held up to respective terms and terms of which are not taken into consideration and income sharing bills and sight savings accounts, sight foreign currency deposits, sight public, commercial and other entities' deposits, sight accounts for depots of precious metals, sight interbank deposits, private current accounts, overnight debts to the interbank markets, sight borrower funds, credit card expenditure limit commitments, credit allocation commitments having usage

guarantee, purchase guarantees in the issue of securities, letters of guarantee and guarantees granted for cash assurance as well as other sight non-cash loans and commitments,

b) **(Amended paragraph: OG-9/6/2007-26547)** Cash entries and exits of other assets and liabilities concerning principal, income and expenditure as well as interest accruals are taken into consideration on the basis of the ratios covered by the notification schedule in Annex 1 and Annex 2 in respect of the periods before respective terms.

c) **(Additional subparagraph: OG-9/6/2007-26547)** in the account relating to income and expenditure as well as interest accruals and rediscounts unless the opposite is determined in the notification schedule in Annex 1 and Annex 2.

(2) **(Amended paragraph: OG-9/6/2007-26547)** Any assets and liabilities with no terms and do not create any cash movements and interest and revenue rediscounts concerning assets which are measured over redemption cost calculated by effective interest method and interest and expense rediscounts concerning liabilities are not taken into consideration in calculation of total liquidity adequacy ratios and total foreign currency liquidity adequacy ratios.

(3) **(Amended paragraph: OG-9/6/2007-26547)** On the notification schedule covered by Annex 1 and Annex 2, the lines of Private Current Accounts – Natural Persons, Private Current Accounts – Legal Entities, Private Current Accounts – Banks, Participation Accounts, Natural Persons, Participation Accounts - Official, Commercial and Other Entities, Participation Accounts – Banks, Participation Accounts Particular Fund Pools - Natural Persons, Participation Accounts Particular Fund Pools - Official, Commercial and Other Entities Participation Accounts Particular Fund Pools – Banks lines are left blank by the deposit banks and participation and investment banks; the lines of savings deposits / Time – Sight, Foreign Currency Deposits / Time – Sight, Official, Commercial and Other Entities Deposits / Time – Sight are left blank by the participation banks and development and investment banks.

Securities covered by transactions involving repo, reverse repo and securities loan market and extended as guarantees

ARTICLE 6 – (1) in calculation of total liquidity adequacy ratios and total foreign currency liquidity adequacy ratios, securities covered by repo transactions are considered by the bank performing repo throughout the term of the repo and securities covered by the lending transactions in the securities lending market are considered by the bank lending such

securities throughout the term of the lending transaction on the basis of the periods before respective terms in respect of the ratios meeting the classification under the relevant group of accounts as covered by Annex 1 and Annex 2.

(2) Securities extended as guarantees are included in calculation of the total liquidity adequacy ratios and total foreign currency liquidity adequacy ratios on the basis of ratios of consideration corresponding to the classification under the respective group of accounts as covered by Annex 1 and Annex 2 according to the period before lifting of such guarantees.

Government securities of the Republic of Turkey and revenue sharing bills of the Republic of Turkey monitored as part of accounts of securities to be held up to terms

ARTICLE 7 – (1) Government securities and revenue sharing bills issued by the Under secretariat of the Treasury, which are monitored as part of accounts of securities to be held up to respective terms are taken into consideration in calculation of the total liquidity adequacy ratios and total foreign currency liquidity adequacy ratios on the basis of their stock values regardless of their terms. However, banks may include the periods before terms as regards such bills, which are within the relevant slices of terms, in calculation by considering their terms.

Foreign currency indexed assets and liabilities

ARTICLE 8 – (1) Any foreign currency indexed assets and liabilities are not taken into consideration in calculation of total foreign currency liquidity adequacy ratios; they are taken into consideration in calculation of the total liquidity adequacy ratios as assets and liabilities in terms of the Turkish Lira, not in terms of foreign currencies to which they are indexed.

Non-cash credits and commitments (Amended paragraph: OG-9/6/2007-26547)

ARTICLE 9 – (1) Those of non cash credits and commitments, which have an obligation of payment on their respective terms, are included in calculation of the total liquidity adequacy ratios and total foreign currency liquidity adequacy ratios by taking into account the periods before respective terms.

Syndication loans

ARTICLE 10 – Syndication loans are not included in calculation of the total liquidity adequacy ratios and total foreign currency liquidity adequacy ratios in case an application is

made to the Agency with information and documents certifying that they will be renewed on their terms at least forty five days before such terms and that this is accepted by the Agency.

Derivative financial transactions

ARTICLE 11 – (1) in calculation of total liquidity adequacy ratios and total foreign currency liquidity adequacy ratios;

- a) derivative financial transactions, which are traded in the exchange and priced at the exchange rates and have no cash entries and exits until their respective terms, are taken into consideration as assets or liabilities in the slice of terms corresponding to the periods before respective terms on the basis of their exchange rates.
- b) derivative financial transactions, which are not traded in the exchange and have no cash entries or exits until respective terms, are taken into consideration as assets or liabilities under the respective slices of terms corresponding to the periods before the terms of transaction on the basis of their nominal values.
- c) derivative financial transactions having cash entries and exits until their respective terms are included in calculation by considering each cash movement for its respective term as assets and liabilities in the order of cash entries and exits which will form due to such transactions.
- d) Assets and liabilities concerning option contracts are included in calculation by adding up five per cent of the market value to its contract market value.

Determination of periods before terms

ARTICLE 12 – (1) The periods indicated below are taken into consideration in calculation of total liquidity adequacy ratios and total foreign currency liquidity adequacy ratios in determination of the periods of assets and liabilities up to their terms:

- a) The period between the day of calculation and the day when cash flows related to principal or interest and income or expenses become payable
- b) Period of notice in case of a period of notice
- c) Period up to the date of the early payment option for liabilities with an early payment option as per the contractual provisions

SECTION THREE

Minimum liquidity adequacy ratios and notification thereof

Minimum liquidity adequacy ratios

ARTICLE 13 – (1) The total liquidity adequacy ratio concerning the second slice of terms on the basis of the weekly simple arithmetical average of the total liquidity adequacy ratios related to the first slice of terms may not be less than one hundred per cent; the foreign currency adequacy ratio concerning the second slice of terms on the basis of the weekly simple arithmetical average of the foreign currency liquidity adequacy ratio related to the first slice of terms may not be less than eighty per cent.

(2) The Board is entitled to differentiate the total liquidity adequacy ratios and total foreign currency liquidity adequacy ratios for each bank or for groups of banks and change the ratios of consideration of assets and liabilities in consultation with the Central Bank.

Calculation and notification

ARTICLE 14 – (1) The total liquidity adequacy ratios and total foreign currency liquidity adequacy ratios concerning the first slice of terms are calculated for a period of seven days in respect of each business day as the total liquidity adequacy ratios and total foreign currency liquidity adequacy ratios concerning the second slice of terms are calculated for a period of thirty-one days that follows the last business day.

(2) The schedule concerning the first slice of terms is sent to the Agency by Friday of the week that follows the date of last calculation after calculation is concluded for all the business days of the week as the schedule concerning the second slice of terms is sent to the Agency by Friday of the week that follows the date of schedule calculation for the second slice of terms.

(3) in calculation of the New Turkish Lira equivalents of the sums of foreign currency covered by notification schedules, valuation principles established by the Turkish Accounting Standards and Law as of the date of calculation are implemented.

Non-compliance with the proportional limits

ARTICLE 15 – (Amended paragraph: OG-9/6/2007-26547) (1) Non-compliance may not take place over the ratios concerning the second slice of terms twice in a row within a calendar year.

(2) In case the ratios concerning the first and second slices of terms are less than the ratios indicated by the first sub-clause of Article 13(1), banks are obliged to send justification thereof to the Agency along with schedules.

(3) **(Amended paragraph: OG-9/6/2007-26547)** It is obligatory to eliminate any non-compliance that may occur relating to the first slice of term within the next two weeks. No more than six instances of non-compliance may be realized over the ratios concerning the first slice of terms within a calendar year including any instances of non-compliance rectified.

(4) The Board is entitled to take measures as defined by Article 67 regardless of whether any instances of non compliance have taken place as described by the first and third paragraphs.

Assets and liabilities calculated over their stock values and hundred percent consideration ratio, calculation and notification (Additional Article: OG-5/4/2008-26838)

ARTICLE 15/A – (Amended paragraph: OG- 11/12/2009- 27429) (1) Simple arithmetic average of 14-day period including the period of establishment of statutory provisions of the ratio of the sum of cash position, effective depots, checking free accounts opened by the Central Bank, cash in transit, due securities, depots of precious metals, checks purchased, checking free accounts opened by banks, overseas head offices and branches including overnight placements, overnight receivables from the interbank money market, statutory reserves which are to be calculated over their stock values irrespective of their respective terms to the sum of total deposits, CBRT, Banks, Headquarters and Branches Abroad Accounts and Other Loans excluding quasi-capital loans can not be less than seven percent.

(2) The Board is authorized to change the said ratio on the basis of each bank or bank group.

(3) The notification schedule in Annex-3 to be filled in concerning the calculation of the said ratio is calculated by deposit banks and participation banks once in 14 days for the whole

working days including the period of establishment of statutory provisions and submitted to the Agency until Friday following the latest calculation date, together with the reasons if the ratio is less than the minimum ratio stipulated in the first paragraph, until Friday of the week which follows the last calculation date.

(4) It is obligatory to remove the incompliance to occur in the said ratio within two consequent weeks. Incompliance more than six, including the incompliance removed relating to the said ratio, can not be realized in a calendar year.

Non compliance with the proportional limits by carrying out fictitious transactions

ARTICLE 16 – (1) In the event that it is established as a result of inspections to be made that fictitious transactions have been made to meet the total liquidity adequacy ratios and total foreign currency liquidity adequacy ratios regulated by this Regulation, the ratios concerning the relevant periods are re-calculated by deducting the sums corresponding to such transactions from assets and liabilities retrospectively.

SECTION FOUR

Provisional and final provisions

PROVISIONAL ARTICLE 1 – (1) The simple arithmetical average of the ratio of the sum of the cash positions, effective depots, sight unattached accounts opened with the Central Bank, funds on the way, due securities, depots of precious metals, purchased checks, sight unattached accounts opened with the banks and overseas head offices and branches, overnight receivables from the inter-bank money market and compulsory reserves to the sum of total deposits, Central Bank of the Republic of Turkey, banks, overseas head office and branches accounts and other credits excluding credits similar to capital to be calculated by banks daily on the basis of stock values irrespective of terms until 1/6/2007 and to be sent by them to the Agency subject to the procedures and principles for submission to the Agency of the total liquidity adequacy ratios for the first slice of terms may not be less than five per cent. No more than six instances of non compliance with the prescribed ratio may be realized including any instances of non compliance rectified until 1/6/2007.

Implementation concerning FX-indexed assets and liabilities (Additional Article: OG-23/1/2009-27119)

PROVISIONAL ARTICLE 2 – (OG- 16/7/2010- 27643) In the implementation of Article 8 of this Regulation, FX-indexed assets and liabilities are taken into consideration as FX-denominated assets and liabilities in the calculation of FX liquidity adequacy ratio until December 31, 2011 and continue to be taken into consideration as TL-denominated assets and liabilities in the calculation of total liquidity adequacy ratio.

Entry into Force

ARTICLE 17 – (1) The first paragraph of Article 13 of this Regulation as well as the first and third paragraphs of Article 15 hereof enter into force on 1/6/2007 whilst other provisions enter into force as of the date of promulgation.

Enforcement

ARTICLE 18 – (1) The provisions of this Regulation are enforced by the Chairman of the Banking Regulation and Supervision Agency.

